



Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via E-Mail to director@fasb.org

Audit • Tax • Advisory
Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687
T 312.856.0200
F 312.565.4719
www.GrantThornton.com

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Re: File Reference Proposed FSP FAS 117-a

Grant Thornton LLP appreciates the opportunity to comment on proposed FASB Staff Position FAS 117-a, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures."

We support issuance of an FSP to address questions about how the adoption of the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) will affect financial reporting by a not-for-profit organization. We agree that issuance of such guidance needs to be timely and that questions should not therefore be addressed by reconsidering the not-for-profit organizations' reporting model established by FASB Statements 117, *Financial Statements of Not-for-Profit Organizations*, and 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. However, as further explained in this letter, we suggest that the guidance in the proposed FSP be clarified as follows:

- Eliminate the inconsistencies in the guidance in paragraph 6 as to the amount of a perpetual endowment fund that must be considered permanently restricted
- Clarify the nature of the governing board's interpretation of the law required by paragraph 7
- Address the apparent inconsistency between (a) the statement in paragraph 9 that laws that provide guidance on prudence rather than absolute ceilings on spending do not extend donor-imposed restrictions and (b) the conclusion in paragraph 6 that UPMIFA's prudent spending guidelines, without explicit spending limits, effectively limits spending of a determinable portion of a perpetual endowment fund. In other words, clarify how the guidance in paragraph 9 should be considered in applying the guidance in paragraphs 6 and 7
- Either update the guidance in EITF Topic D-49, "Classifying Net Appreciation on Investments of a Donor-Restricted Endowment Fund," or incorporate the relevant guidance in the FSP. Do not require analogizing to an interpretation of a superseded model law.
- Clarify the use of the following terminology:
 - Enacted version
 - Fund or funds
 - Endowment funds

In addition, we have significant concerns about some of the proposed disclosure requirements.

Finally, we recommend extending the effective date to allow for a reasonable period of time for organizations to apply the new disclosure requirements. However, early application should be allowed because some organizations are already subject to the provisions of UPMIFA through enacted state law.

Inconsistent guidance in paragraph 6

The Board should clarify its position in paragraph 6 of the proposed FSP. The first sentence mandates that organizations classify “all or a portion” of an endowment fund of perpetual duration as permanently restricted net assets. However, the second sentence of the paragraph includes the phrase “if any,” which seems to indicate that an organization’s board could conclude that the relevant law does not require any amount of such an endowment fund of perpetual duration to be permanently restricted.

Clarify nature of the governing board’s interpretation of the law in paragraph 7

Paragraph A6 in the proposed Basis for Conclusions states that the governing board’s interpretation of the relevant law should not be treated as an accounting policy election. We recommend that this characterization of the determination be moved to paragraph 7 in the body of the FSP. Describing the nature of the determination this way clarifies that even the initial determination is not an accounting policy election. We recommend that the FSP indicate that the governing board’s determination should only be changed based on new information or evidence that may develop, for example, as the new UPMIFA-based laws are tested in courts.

Determining the amount of permanently restricted net assets under UPMIFA

We agree with the proposed financial reporting guidance affirming that a donor-restricted gift to establish an endowment of permanent or perpetual duration creates a permanent restriction on at least some portion of the donated assets under the provisions of UPMIFA, even though the model act does not specify a spending limit. However, under the proposed guidance, the challenge for preparers continues to be how to determine the amount of permanently restricted net assets under UPMIFA, especially in the absence of both explicit donor stipulations on spending and explicit guidance from an enacting state (for example, through its laws, attorney general, or courts). Paragraph 6 of the proposed FSP seems to indicate that even in those circumstances, the permanently restricted portion of an endowment gift is considered to be fixed and determinable.

UPMIFA, paragraph 4(a), states that “... an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established.” According to paragraph 4(c) of UPMIFA, common language that donors may use or have used in gift instruments establishes an endowment fund of permanent duration, but “does not otherwise limit the authority to appropriate for expenditure or accumulate” the assets of the fund in accordance with the prudence guidance in paragraph 4(a). (Examples of such language include designating the gift as an endowment or requiring the organization “to preserve the principal intact” without other language that limits the duration or purpose of the fund.)

Therefore, under the proposed FSP, the UPMIFA guidelines on prudent spending in paragraph 4(a) are expected to effectively limit the amount that an organization has the discretion to spend, thereby establishing the amount of a gift that is permanently restricted and the extent to which returns on the gifted assets are also restricted. That assumption about the effect of the prudent spending guidance in paragraph 4(a) seems to be the underlying support for the guidance in paragraph 6 of the proposed FSP. However, the view that, for accounting purposes, the standard of prudent spending in paragraph 4(a) of UPMIFA permanently restricts an organization's authority to spend a fixed and determinable amount of an endowment fund of permanent duration seems inconsistent with the proposed guidance in paragraphs 8 and 9 of the FSP, as further discussed below.

Potentially conflicting guidance

Paragraph 8 of the proposed FSP concludes that the following provisions of UPMIFA do not extend donor restrictions to the portion of the net assets of a donor-restricted endowment fund that would otherwise be classified as unrestricted:

- Paragraph 4(a) states that "Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."
- Paragraph 4(d) of UPMIFA establishes a rebuttable presumption of imprudence for spending over seven percent of the three-year (or longer) average fair market value of an endowment fund.

Paragraph 9 of the proposed FSP, as support for the conclusion in paragraph 8, states the following:

Laws that refer to actions that are entirely within the purview of an organization's governing board, such as acting to appropriate funds or exercising prudence in doing so, do not, in and of themselves, create or extend donor-imposed restrictions. Similarly, laws that provide additional guidance on what constitutes prudence, rather than establishing absolute ceilings on spending, do not, in and of themselves, extend donor-imposed restrictions.

That guidance in paragraph 9 of the FSP does not seem entirely consistent with the assumption underlying paragraph 6 of the FSP that under the prudent spending guidelines in paragraph 4(a) of UPMIFA, some determinable amount of an endowment gift can be considered to be permanently restricted regardless of paragraph 4(c) of UPMIFA. Paragraph 4(c) seems to interpret the language of some gift instrument as establishing a fund of permanent duration, without spending limitations other than the prudence guidelines in paragraph 4(a).

We suggest that the Board clarify how the guidance in paragraph 9 of the proposed FSP on the effect of UPMIFA guidance on what constitutes prudence should be considered in applying the guidance in paragraphs 6 and 7 of the proposed FSP.

Requirement to analogize to EITF Topic D-49

Paragraph 8 of the proposed FSP would require an organization to apply the guidance in EITF Topic D-49, “Classifying Net Appreciation on Investments of a Donor-Restricted Endowment Fund,” to determine whether certain provisions of UPMIFA restrict net assets. EITF Topic D-49 interprets, without quoting, section 2 of the Uniform Management of Institutional Funds (UMIFA), the model act superseded by UPMIFA. Thus, an organization would be required to apply the interpretation of a specific provision of a superseded model law to interpret different provisions of the new model act. We recommend that the Board either update EITF Topic D-49 to address the application of that guidance to specific provisions of UPMIFA, or incorporate the relevant guidance from EITF Topic D-49 in the final FSP.

References to an “enacted version” of UPMIFA

The proposed FSP provides guidance for a not-for-profit organization that is subject to an “enacted version” of UPMIFA. However, the FSP guidance is based on the provisions of the model act, and the applicability of that guidance could be affected by the nature or extent of differences between the model act and a state’s “enacted version” of UPMIFA. Therefore, a clearer approach throughout the FSP might be to interpret and refer to “the provisions” of UPMIFA rather than to “an enacted version” of UPMIFA, as illustrated in the following marked revisions to the objective in paragraph 1 (additions are underlined and deletions are struck through):

This FASB Staff Position (FSP) provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to ~~an enacted version~~ the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) through enacted legislation. ~~UPMIFA is~~ a model act adopted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) that serves as a guideline for states to use in enacting legislation. For the purpose of applying the guidance in this FSP, a not-for-profit organization shall consider the nature and effect of any modifications to the provisions of UPMIFA in a state’s enacted version of the model act.

Definitions

Footnote 1 in the proposed FSP defines the terms *endowment*, *endowment fund*, *donor-restricted endowment fund*, and *board-designated endowment fund* to be consistent with the definitions in FASB Statements 117 and 124. The footnote states, “The term *donor-restricted endowment funds* is intended to be synonymous with *endowment funds* at that term is used in UPMIFA (and UMIFA).” We believe there are significant differences in the use of the defined terms in UPMIFA and the proposed FSP. Therefore, we suggest that Board consider the following:

- Clarifying the use of the term “fund” in the FSP
- Including the actual UPMIFA definitions rather than assume that the terms defined in generally accepted accounting principles (GAAP) are intended to be synonymous. The UPMIFA definitions include guidance that is not included in the accounting definitions in Statement 117.

- Expanding the guidance in GAAP on identifying endowment funds, for example, by incorporating guidance on program-related assets similar to that in UPMIFA and its related commentary. The FSP proposes to establish significant external financial accounting requirements based on fund accounting without providing fund accounting guidance.

What is a fund or funds?

We suggest that the Board clarify how the term *fund* is defined and used in the FSP.

The term *fund* can refer to a sum of money or other resources set aside for a specific purpose. UPMIFA addresses the investing and spending of sums of money (funds) set aside (restricted by donors) for specific purposes. That is, UPMIFA provides guidelines for the prudent management of a not-for-profit organization's assets, not of its net assets (equity).

The term *fund* can also refer to an accounting record consisting of a self-balancing set of asset, liability, and fund balance (equity) accounts. Although not-for-profit organizations may use fund accounting for their internal records, FASB Statement 117 does not define fund types, require fund accounting, or use the term *fund balance* for external financial reporting. Instead, Statement 117 uses the term *net assets* to describe the equity accounts of a not-for-profit organization as a whole, as follows:

10. A statement of financial position shall focus on the organization as a whole and shall report the amounts of its total assets, liabilities, and net assets.

18. A statement of activities provided by a not-for-profit organization shall focus on the organization as a whole and shall report the amount of the change in net assets for the period. It shall use a descriptive term such as *change in net assets* or *change in equity*.⁵ The change in net assets should articulate to the net assets or equity reported in the statement of financial position.

⁵ This Statement does not use the terms *fund balance* or *changes in fund balances* because in current practice those terms are commonly used to refer to individual groups of assets and related liabilities rather than to an entity's net assets or changes in net assets taken as a whole. Reporting by fund groups is not a necessary part of external financial reporting; however, this Statement does not preclude providing disaggregated information by fund groups.

The proposed FSP would establish a requirement for an organization to report financial schedules and related disclosures of one particular kind of accounting fund—endowment funds—in the notes to the financial statements. For example, an organization would be required to provide a reconciliation of endowment fund net assets/equity that appears to be analogous to the organization's statement of activities. Statement 117 has always permitted an organization to include its internal fund accounting information within the context of its organizationwide financial statements. However, to require reporting on a fund-accounting basis creates an expectation that the requirement will be consistently applied and provide comparable reporting by all not-for-profit organizations.

We are concerned that the fund accounting guidance in authoritative accounting literature may not be sufficient to provide for consistent and comparable application of those requirements. Therefore, we suggest that the Board consider expanding and clarifying the guidance on defining endowment funds for financial reporting purposes.

Definition of endowment funds

Because of the differences between the UPMIFA and GAAP definitions and guidance, we recommend that the final FSP include the UPMIFA definitions rather than stating only that the UPMIFA definition of *donor-restricted endowment funds* is synonymous with the GAAP definition.

UPMIFA defines an endowment fund as “an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use.” UPMIFA defines an institutional fund as follows:

- [A] fund held by an institution exclusively for charitable purposes. The term does not include:
- (A) program-related assets [which are defined as assets held by an institution primarily to accomplish a charitable purpose of the institution and not primarily for investment]
 - (B) a fund held for an institution by a trustee that is not a institution [which is defined as (A) a person other than an individual, organized and operated for charitable purposes; (B) a government or governmental subdivision, agency, or instrumentality, to the extent that it holds fund exclusively for charitable purpose; or (C) a trust that had both charitable and noncharitable interests, after all noncharitable interests have terminated], or
 - (C) a fund in which a beneficiary that is not an institution has an interest, other than an interest that could arise upon violation or failure of the purposes of the fund.

The commentary accompanying UPMIFA further discusses program-related assets that also serve as investments for the organization, and observes that such assets are outside the scope of UPMIFA, as follows:

Assets held by an institution primarily for program-related purposes rather than exclusively for investment are not subject to UPMIFA. ... The Act excludes from the prudent investor norms those assets that a charity uses to conduct its charitable activities, but does not exclude assets that have a tangential tie to the charitable purpose of the institution but are held primarily for investment purposes.

Accounting definitions of endowment funds

Because the not-for-profit organization reporting model established by Statements 117 and 124 has not previously required extensive reporting by funds (except for disclosure of the aggregate amount by which assets in donor-restricted endowment funds fall below donor stipulations), we suggest that the Board consider whether the authoritative GAAP definition of endowment funds is sufficient to provide for consistent and comparable financial reporting. Guidance currently available includes:

- The Statement 117 definition of an endowment fund as “an established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization,” does not specifically define or exclude a “program-related asset,” as defined in UPMIFA
- The AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, which
 - Acknowledges that fund accounting is not required by GAAP
 - Describes seven kinds of funds commonly used for internal recordkeeping. The Guide describes endowment funds as they are defined in Statement 117. However, the Guide also describes loan funds and lists, as plant funds, funds for renewal or replacement and funds for retirement of debt. Such funds may be economically and functionally similar to endowment funds, as defined in Statement 117.
 - Explains how the fund balances of each kind of fund might be classified for external reporting by net asset classifications

We believe that there may be significant diversity in practice with respect to how organizations define their accounting funds, including donor-restricted endowment funds. Therefore, if the Board decides to retain the proposed endowment fund disclosure requirements, we suggest that the Board consider whether to expand the fund accounting guidance in GAAP, for example, by including guidance on program-related assets, as in UPMIFA.

Proposed disclosure requirements

We think that the FASB’s proposed guidance will not resolve significant uncertainties about net asset classifications under UPMIFA. Therefore, we support requiring the following proposed disclosures to help financial statement users understand the nature of an organization’s reported net asset restrictions:

- A description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds
- A description of the organization’s policy(ies) for the appropriation of endowment assets for expenditure (its endowment spending policy(ies))

However, we have significant concerns about other proposed disclosure requirements, as further described in the following section. Although we agree that disclosures about endowments should not be limited to organizations that are subject to an enacted version of UPMIFA, we recommend that the Board address issues described in this letter before finalizing the requirements.

Investment policy disclosures

It is not clear why an organization should disclose only endowment fund investment policies, especially if an organization has significant investments outside of its endowment funds. We support requiring the disclosure of an organization's investment policies, including those related to its endowment funds. However, we have significant concerns about the specific disclosure requirements and the related illustrative disclosure.

We note that paragraph A10 in the Basis for Conclusions of the proposed FSP indicates that "As with the spending policy disclosure requirement, the Board decided to keep the investment policy disclosures as general as possible to allow for flexibility of presentation." However, the proposed disclosure requirement in paragraph 12(c) would mandate specific detailed investment policy disclosures, which seems at odds with the expressed intention of the Board. In addition, the mandated detailed disclosures appear to presume that an organization has a more sophisticated level of investing and a more sophisticated investment policy than many smaller organizations with limited endowments are likely to have. Furthermore, we do not support requiring disclosure of how the organization's investment objectives relate to its spending policy as illustrated in Appendix C of the proposed FSP. Therefore, we suggest that the Board either eliminate the detailed requirements or change the requirements to a list of examples of what an investment policy might include, as follows (marked for changes from the proposed FSP):

~~12.c. A description of the organization's endowment investment policies, including policies for investing its endowments. Investment policies might include, for example, the organization's return objectives and risk parameters and strategies for achieving those objectives. The description shall include the organization's return objectives and risk parameters; how those objectives relate to the organization's endowment spending policy(ies); and the strategies employed for achieving those objectives.~~

We believe that the following should be eliminated from the illustrative disclosure in Appendix C of the proposed FSP:

- From "Return Objectives and Risk Parameters":
Organization A expects its endowment funds to provide an average rate of return of approximately 9 percent annually.
- From "Spending Policy and How the Investment Objectives Relate to Spending Policy":
Organization A expects permanent funds to provide an average rate of return of approximately 9 percent annually. Accordingly, over the term, the Organization expects the current spending policy to grow its permanent endowment at an average of 4 percent annually. This is consistent with objectives to maintain the purchasing power of the permanent endowment assets as well as to provide for additional real growth through new gifts and investment return. [If retained in the final FSP, the disclosure of the relationship between the investment objective and spending policy may need to be clarified. We think the last two sentences should refer to the "permanent" endowment, not just to the "endowment," which includes term endowments according to another

section of the illustrative disclosures. However, as indicated above, we recommend eliminating these sentences altogether.]

We believe the illustration implies that these specific quantitative disclosures are required or at least encouraged. We think they are inappropriate and potentially misleading for the following reasons:

- The illustration could create the expectation that an organization must disclose a specific expected rate of return, even if that expectation is developed solely for disclosure purposes. The organization's investment policy and its expected total return on its investments are two of several factors that, if relevant, an organization must consider in making a determination to appropriate or accumulate an endowment fund's assets under UPMIFA. However, even such considerations may not necessitate developing a point estimate of total returns expected, for example, if an organization's spending formula is based on a backward looking rolling average of total returns rather than total assets.
- A not-for-profit organization could reasonably be expected to lack specific expertise needed to forecast economic and market returns. For example, consider a not-for-profit organization with a small endowment that it prudently invests in a mutual fund. That fund's prospectus will prominently disclaim making any representation at all about the future returns that an investor might expect from that fund. We do not think it would be appropriate for that organization to represent to the users of its financial statements that any specific rate of return should or could be expected on such an investment.
- Economic assumptions and expectations, as well as an organization's reactions to those assumptions and expectations, are subject to change at any time. Therefore, the disclosure has limited usefulness for an uncertain period of time.

Disclosure of planned appropriation for expenditure

We do not support requiring an organization to report its endowment spending budgetary information or expectations for future periods in the notes to the financial statements, as would be required by paragraph 13 of the proposed FSP. Paragraph 13 would require an organization to disclose its planned appropriation for expenditure, if known, for the year following the most recent reporting period. However, we assume that paragraph 13 is intended to require disclosure only of the "planned appropriation of endowment fund assets for expenditure," as illustrated Appendix C, rather than the organization's entire expenditure budget.

We question the requirement to disclose one budget line item for a future period outside the context of the whole budget and related underlying budget assumptions. Additional extensive disclosures might be necessary to keep such information from being misleading. For example, budgetary information or expectations may not be prepared on a GAAP basis, may be subject to change at any time, and may be affected by changes in other budget items or underlying assumptions. Consideration of the nature and extent of additional disclosures that would be necessary to keep the forward-looking information from being misleading will be of particular interest to a not-for-profit organization that is an obligor for municipal conduit bonds and is subject to the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.

Disclosure of endowment fund net assets and changes in net assets

As previously discussed, we are concerned about the proposal to establish fund-accounting-based financial reporting requirements without enhancing the fund accounting guidance in GAAP. Therefore, we suggest that the Board consider providing more robust guidance on identifying an endowment fund.

We also recommend that the Board clarify the basis of presentation that should be used for the disclosures of endowment fund net asset composition and changes in endowment net assets, as well as the nature of the reconciling items that are illustrated in the Appendix C example disclosures of changes in endowment net assets. “Net assets” is the term used for GAAP equity, so it would be reasonable to assume that the disclosures are intended to present and reconcile the fund balances of an organization’s endowment funds according to their GAAP classification and that these are the GAAP balances included in the net asset amounts reported in the organizationwide statement of financial position. If not, then we suggest that the endowment fund disclosures be required to explain how the endowment fund net asset balances reconcile to the organizationwide amounts reported. Other items that may be reflected in the endowment fund disclosures that may require clarification include the following:

- Interfund balances
- Amounts released from restriction
- Expenditure of endowment assets or appropriation of endowment assets for expenditure

Interfund balances. We suggest that the Board clarify how interfund balances should be reflected in the new endowment net assets reconciliation schedules. Statement 117, footnote 8, describes the presentation and elimination of interfund items for the GAAP financial statements as follows:

This Statement does not preclude display of interfund items in a statement of financial position; rather, its requirement to display total assets and liabilities results in certain practical limits on how interfund items are displayed in a financial statement. For example, because receivables and payables between fund groups are not organizational assets or liabilities, a statement of financial position must clearly label and arrange those interfund items to eliminate their amounts when displaying total assets or liabilities

We suggest that the Board clarify whether interfund balances should be eliminated for purposes of the separate endowment fund schedules. Interfund “assets” of an endowment fund, if not eliminated for purposes of the endowment fund disclosures, could mask the existence of underwater funds. It may not be clear how such amounts should be considered in the separate endowment fund disclosures because interfund activity—transfers to create board-designated funds—is reported in the Appendix C example disclosures of changes in endowment net assets. For example, assume that an endowment fund accounting records show total assets of \$10,000 and total donor restricted net assets of \$10,000. However, the total assets include a \$4,000 receivable from the organization’s current operating fund. Should the net assets of that endowment fund be reported in the endowment fund disclosures as \$10,000 of donor-

restricted net assets or as \$10,000 of donor-restricted net assets with a \$4,000 deficit in the unrestricted net assets column?

Appropriated for expenditure. It is not clear why a reconciliation of endowment fund temporarily restricted net assets would report amounts as “appropriated for expenditures” or “expenses” because the organizationwide GAAP basis financial statements do not report such amounts as changes in temporarily restricted net assets. In addition, the use of the term “appropriated for expenditures” in illustrative disclosures in Appendix C might indicate that the endowment fund disclosures should be presented on a budgetary rather than GAAP basis. We suggest that the FASB require the presentation of endowment fund disclosures in a manner consistent with, and on the same basis as, the organizationwide GAAP financial statements. The nature of any differences and how those different items are reflected in organizationwide GAAP financial statements should also be disclosed.

Released from restriction. The example reconciliation disclosure in Appendix C includes a self-balancing line item for amounts “released from restriction,” terminology that may be used in the organizationwide statement of activities to report the amount of temporarily restricted net assets that became available for current expenditure during the period. We suggest that the Board clarify the basis for amounts presented in the endowment fund disclosures and how they relate to the amounts reported in the organizationwide statement of activities. Alternatives include the following:

- The endowment fund disclosures present as “released from restriction” only those amounts that the organization continues to account for internally as assets of an endowment fund, and present as “appropriated for expenditure,” “expended,” or “transferred to other funds” those temporarily restricted endowment fund assets that were released to funds outside the endowment fund.
- The endowment fund disclosures present reconciling items as they are defined by the organization in its internal fund accounting records.
- The endowment fund disclosures present line items on a basis that is consistent with the GAAP reporting of the organizationwide financial statements. Under this alternative, the endowment fund disclosures of amounts “released from restrictions” would not be presented as self-balancing within the endowment funds if released assets are transferred to or spent by funds other than the endowment funds.

We prefer the third alternative because we think the endowment fund disclosures should improve the transparency of the amounts reported in the organizationwide GAAP financial statements. Endowment funds are components of an organization, not separate reporting entities with a difference basis of accounting. Therefore, as indicated above, we recommend that the FASB require that the endowment fund disclosures be presented in a manner consistent with, and on the same basis as, the organizationwide GAAP financial statements. The nature of any differences and how those different items are reflected in organizationwide GAAP financial statements should also be disclosed.

Effective date and transition

Assuming this FSP is finalized before June 30, 2008, we recommend that the final FSP be effective for fiscal years *beginning after* June 15, 2008, with early application permitted provided annual financial statements for that fiscal year have not been previously issued. As proposed, this FSP will require significant new disclosures, even if an organization is not yet subject to UPMIFA. We think organizations with a June 30 year-end should not be required to apply the FSP immediately, although the FSP guidance should be available to those already subject to UPMIFA.

We appreciate the opportunity to comment on the proposed FSP and would be pleased to discuss our comments with Board members or the FASB staff. If you have any questions, please contact Ann McIntosh at (612) 677-5257 or Charles Evans at (832) 476-3614.

Sincerely,

/s/ Grant Thornton LLP